

# **BTEC LEVEL 3 BUSINESS**

## **Unit 3: Personal and Business Finance**

### **Learning Aim C: Business Finance**

#### **Lesson Booklet**

**NAME**.....

**Teacher**.....

## **Learning Outcome C1 – Purpose of Accounting**

### **Activity 1 – Glossary of Accounting Terms**

During learning Outcome C there may be some new terms that you have not come across before. Revisit this glossary throughout the learning outcome when you come across a word you are unsure about or need to remember. Look up the word if needed and add more rows when necessary.

<b>Accounting term/word</b>	<b>Definition/Explanation</b>

## Activity 2 – What is the Purpose of Accounting

Define the purpose of accounting

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Complete the table with the purpose of accounting and the benefits this has for a business.

Purposes of accounting	Explanation of that purpose	Benefits to a business

### Activity 3 – Ranking of Accounting Purposes

Rank the purpose of accounting from the most important to the least important

1. .
2. .
3. .
4. .
- 5.

Justify why you have ranked \_\_\_\_\_ as the most important

Justify why you have ranked \_\_\_\_\_ as the least important

Discuss which purpose of accounting would the CEO of the company be most concerned with? (weigh up a variety of purposes)

## Activity 4 - Knowledge Check C1 Understand the Purpose of Accounting

Name the 5 purposes of accounting

- |    |    |    |
|----|----|----|
| 1. | 3. | 5. |
| 2. | 4. |    |

Describe two of the purposes of accounting

How do you calculate sales revenue?

What is the calculation for net profit

Explain the benefit of compliance for a business

Explain how accounting can be used to measure performance

## **Learning Outcome C2 – Types of Income**

### **Activity 5 – Capital Income**

As we discuss each type of capital income available use the space provided and take notes on the key features of each type of capital income.

#### **Loans**

#### **Mortgages**

#### **Shares**

#### **Owners Capital**

#### **Debentures**

## Activity 7 – Sources of Revenue Income Table

Complete the table with the sources of revenue income. Use research where necessary.

Sources of Revenue Income	Explanation
Sales	
Rent received	
Commission	
Interest received	
Discount received	

Explain which type of revenue would be most common for a T-shirt selling business

Suggest what type of business will rely on revenue income from commission

## Activity 8 – Capital or Revenue Income

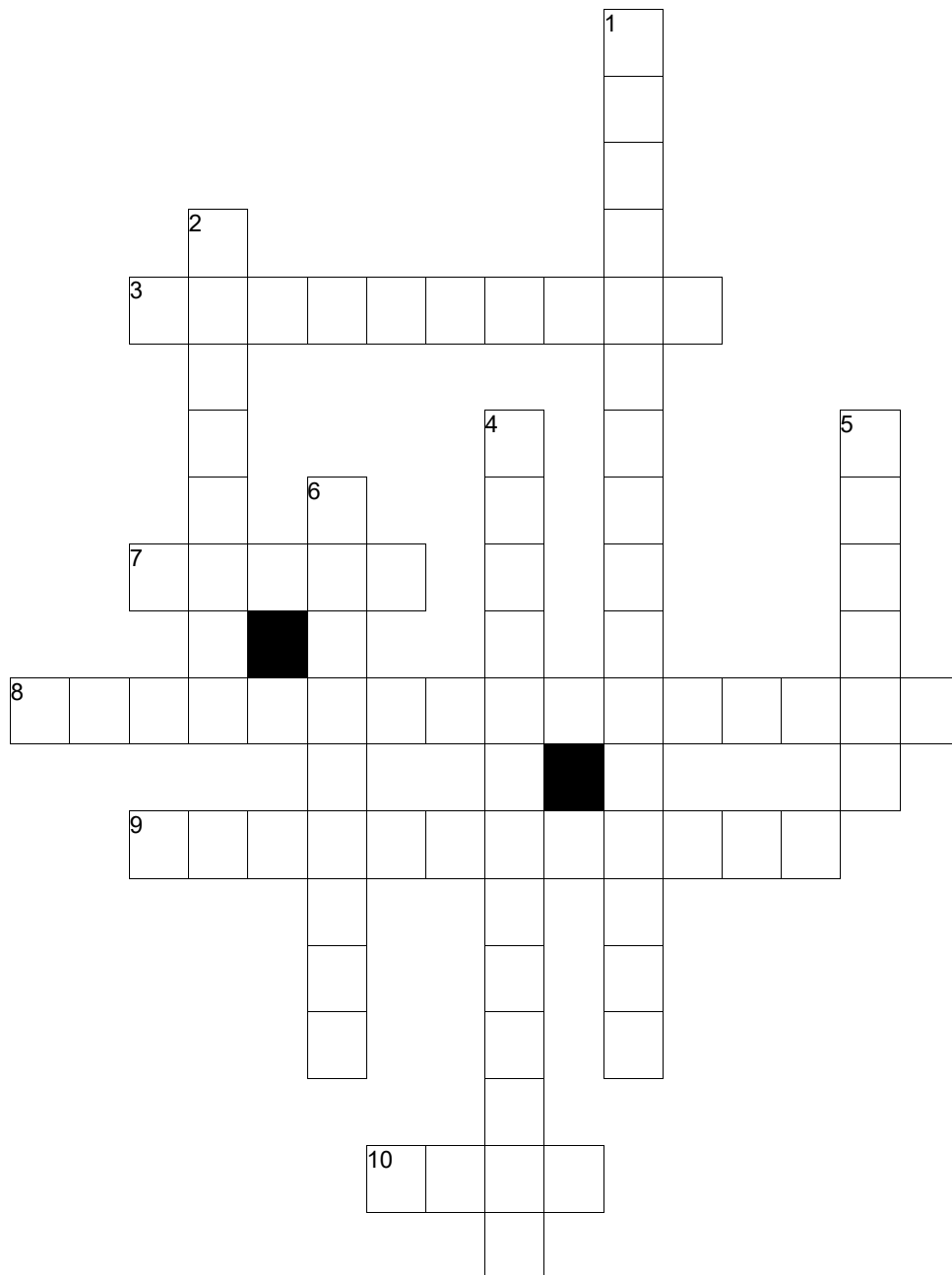
From the list of different ways a business can receive income, identify whether it is a form of capital income or revenue income.

Type of Income	Capital or Revenue Income?
Loan from a bank	
Sales for hairdressing services	
Commission on sale	
Mortgage on a commercial property	
Discount received for paying early	
Owners investing their money in the business	
Debenture	
Money from the sale of shares	
Interest on cash in the bank	
Rent from a tenant	

Argue whether it is better to have capital income or revenue income.



## Activity 9 – Knowledge Check C2 Types of Income Crossword



### Across

- 3.** When a business or individual sells a product on behalf of another business. If the sale is successful then the seller receives a...
- 7.** Money made from the sale of goods or services.
- 8.** Two words for the money received from savings or investment.
- 9.** Two words that means revenue received from the rental of a property
- 10.** Money is given to a business usually from a bank and the business repays the loan amount plus interest

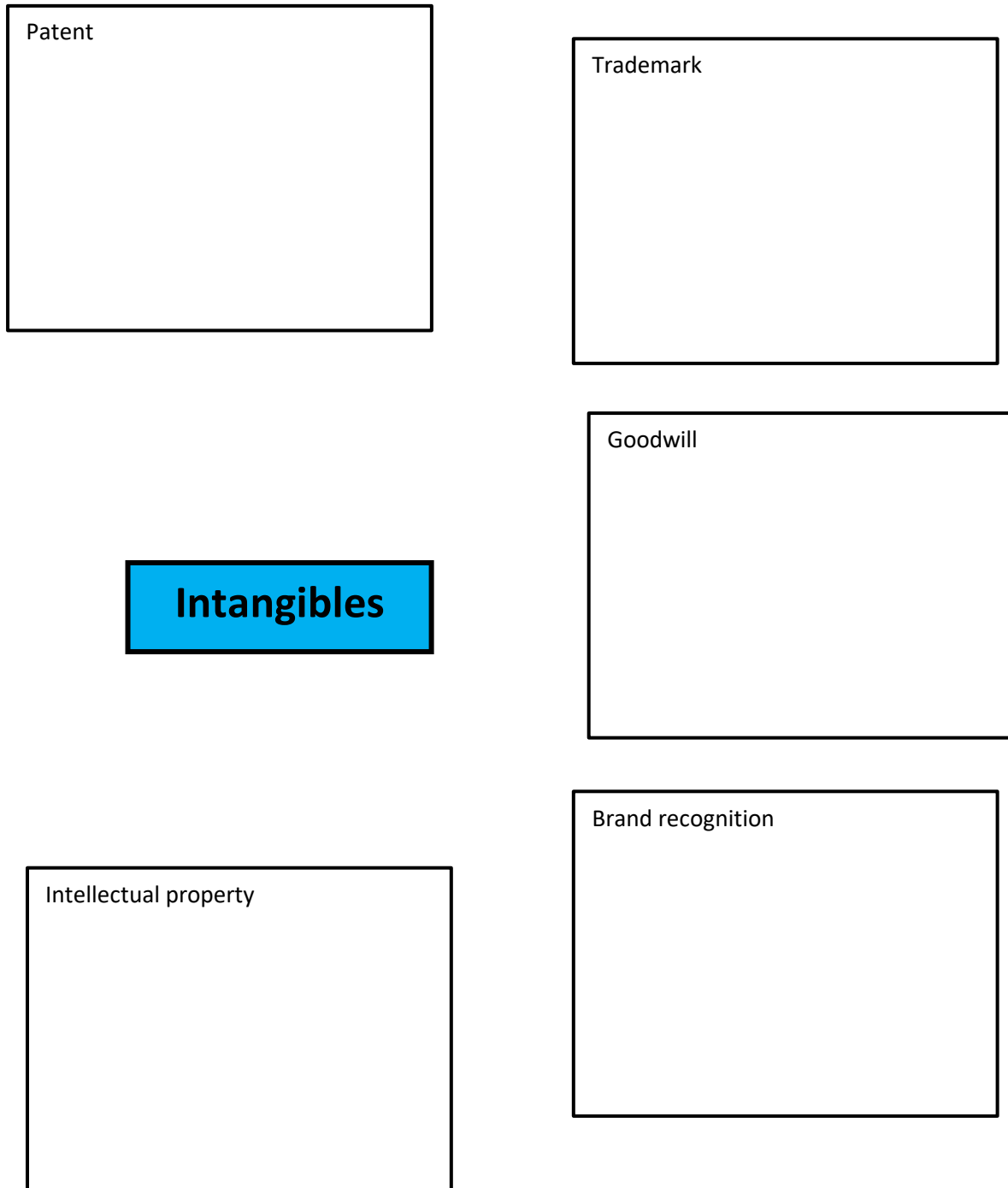
### Down

- 1.** Two words for when a business pays a reduced price for goods or services.
- 2.** A loan taken out to buy property or land. Most run for 25 years but the term can be shorter or longer.
- 4.** This is when the owner funds the business through their own personal savings.
- 5.** A company can issue these to raise capital. The receiver of these can get paid a dividend in return.
- 6.** A medium to long term source of finance. These debt instruments pay an interest rate and are redeemable or repayable on a fixed date.

## Learning Outcome C3 – Types of Expenditure

### Activity 10 – Intangibles

Whilst we discuss the most common types of intangibles complete the spider diagram in your booklets with key points for each intangible.



## **Activity 11 – Capital Expenditure**

Define capital expenditure

Explain with examples what a non-current asset is

Identify two types of capital expenditure

1. .
2. .

Describe what is meant by an intangible asset

Give two examples of intangibles

1. .
2. .

Justify why brand recognition is an asset to a business.

## **Activity 12 – Types of Revenue Expenditure**

Draw a line from the type of revenue expenditure to the correct definition and answer the questions in your booklet.

Inventory	A business is legally required to take a number of these policies out to protect itself from serious losses.
Rent	A fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee.
Rates	A regular payment to a landlord for the use of property or land.
Heating & Lighting	Costs incurred by the business for the paperwork side of the business.
Water	Payments made to the local council for services provided by them. It is based on the size and location of the premises.
Insurance	An hourly rate paid to an employee with a direct correlation between the hours worked and the wage paid.
Administration	A reduction in the value of an asset over time, due in particular to wear and tear.
Salaries	The array of finished goods or goods used in production held by a company.
Wages	Costs associated with attracting potential customers to the business. Typically in the form of advertisements or promotional materials.
Marketing	The amount of money charged on top of a loan or mortgage amount.
Bank Charges	This payment can be a fixed amount or based on usage.
Interest Paid	All charges and fees made by a bank to their customers. Often in the form of transaction fees.
Depreciation	Payments made for gas and electricity usually monthly or quarterly.

What type of revenue expenditure will most likely be the highest for a factory making clothes in the UK?

Justify how this may differ to a sole trader who offers a graphic design service.

### **Activity 13 – Capital or Revenue Expenditure**

Answer the following questions by identifying capital & revenue expenditure.

**1. Which of these are forms of capital expenditure?**

- A. Rent
- B. Land
- C. Interest

**2. Salaries are a form of revenue expenditure**

TRUE                      FALSE

**3. Which of these are forms of capital expenditure?**

- A. Vehicle
- B. Electricity bill
- C. Wages

**4. Advertising is a form of revenue expenditure**

TRUE                      FALSE

**5. Which of these are forms of capital expenditure?**

A. Equipment            B. Rates

C. Food

**6. Administration is a form of revenue expenditure**

TRUE

FALSE

**7. Which of these are forms of capital expenditure?**

A. Furnishings            B. Insurance

C. Gas bill

**8. Depreciation is a form of revenue expenditure**

TRUE

FALSE

**9. Which of these are forms of capital expenditure?**

A. Water rates            B. Buildings

C. Fixtures

**10. Fixtures are a form of revenue expenditure**

TRUE

FALSE

**Activity 14 - Knowledge Check C3 Types of Expenditure**

Create a piece of work that covers the following for a business of your choice:

- Explain the capital expenditure they have (provide examples)
- Explain revenue expenditure they have (provide examples)
- Discuss at least two intangibles for the business and why they are important to them
- Assess the impact depreciation will have on the business financially

This can be in any format you wish. Make it visually appealing and informative.

Create your design here

You could also put a link to your work/copy and paste it here.

*(use more pages if needed)*

### Activity 16 – Learning Outcome C Key Word Scramble

1. OECMCAINPL \_\_\_\_\_
2. OCSATARTSNNI \_\_\_\_\_
3. ASSEL UENEREV \_\_\_\_\_
4. ETSPY FO NECMOI \_\_\_\_\_
5. NNSMTVEITE \_\_\_\_\_

6. LPACATI \_\_\_\_\_
7. PSTHEY FO DITPUNXEERE \_\_\_\_\_
8. VRNEEUE \_\_\_\_\_
9. ALOSN \_\_\_\_\_
10. SROAEGGTM \_\_\_\_\_
11. GINEILBTANS \_\_\_\_\_
12. SCAUINNRE \_\_\_\_\_

### Activity 17 – Learning Outcome C Word Search

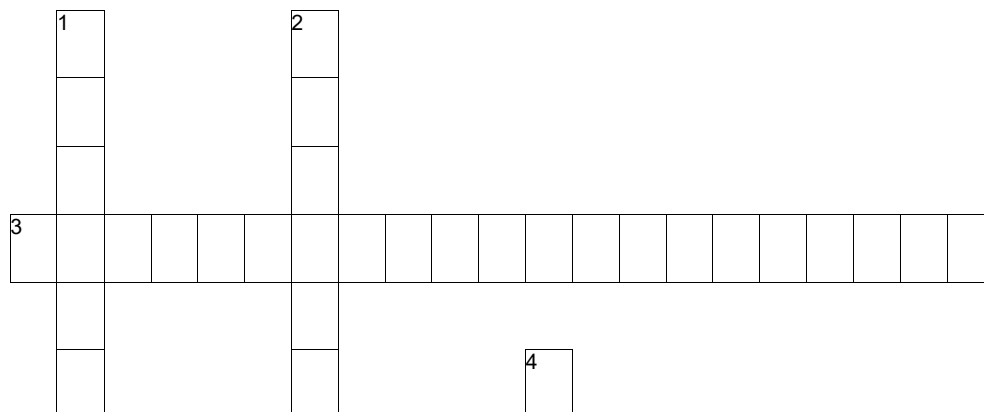
P A I B F E Y S J J K Q J I Z V C G G L Y N W S  
 T Z C L D C O M P L I A N C E N S C O T Y L V J  
 K S Y P N L A G N Q Q U U Q O N N R O B V I V N  
 S W D D P M L M H K S I R W Y Z A K D N H P Y C  
 P A T E N T S U U M C I N E E F O B W B E I M E  
 Q I M L S U L K Q G P E U C M D L R I B V Y B L  
 Z C D P N R N A Y X R N T P L U Q O L X M W O Q  
 N S V S J Q N S B S E U X C M Q W T L R M D R N

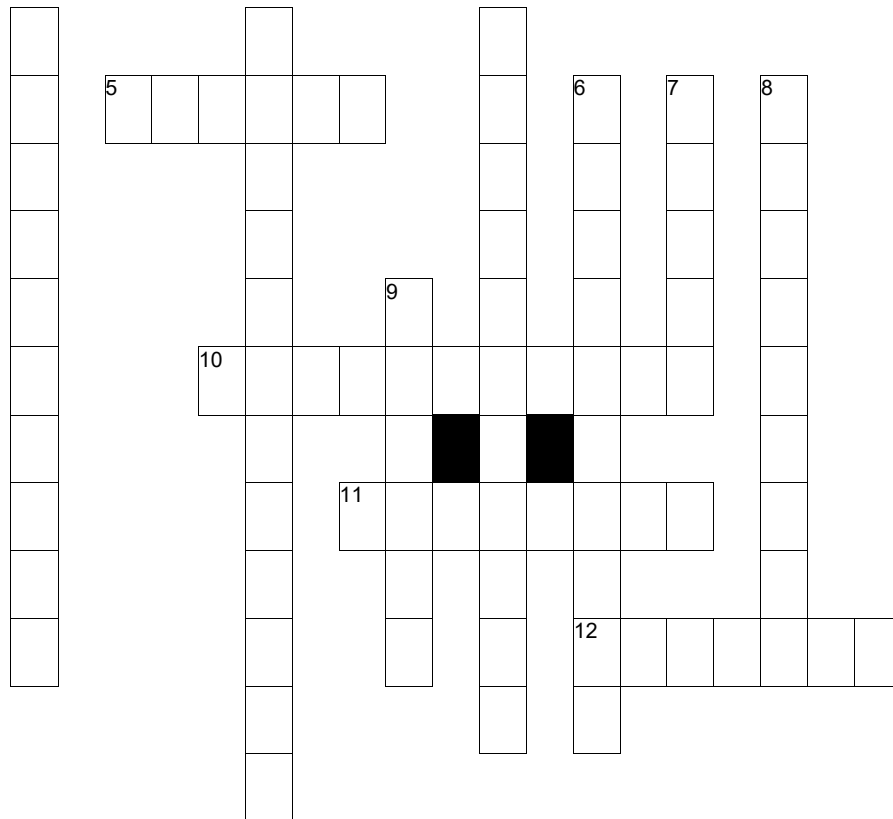


C W Q L J U M O C V D S D Y P A K R R P U Q L J  
 N Q N A G T Q A E Z F E L X S Z S B S W K F T T  
 R K I Q F W P R G X Q I P A F E J B M M C M J Z  
 P N N N A I S K Z T A W H R T Z C J J A J B G Y  
 B N X G T E F T V S L D C W E I R F L X U L Z K  
 N Y O A L L W K W I E E I R C C P V K M W P H P  
 H P L A Q Y U Z F H V L B I P J I A V W F M Y T  
 T Y S I Q N O L B S O Z B D S Q A A C V B Q Q T  
 P P V T V C Y D C P J X E I S Z Z E T J I I I D  
 R J L W K F Y H K S E U M M G Y N R A I B N P Y  
 S E R A H S M I S N N M V J W N X N A G O M Z G  
 D N B S O T S N I E H C Z B T S A G G I R N V M  
 U B S M Q S T Q V U I X X W O L B T I S G Q A R  
 B U W T X V B E R Z I S B K O L G Y N O X T Y P  
 X Q H D A F R T H V P W P B O A I W Y I P Z E U  
 B L Z P Y X W H N O G G Z R F I N V E N T O R Y

Owners Capital    Shares    Inventory    Depreciation    Goodwill    Patents  
 Intangibles    Loans    Revenue    Capital    Sales Revenue    Compliance

### Activity 18 – Learning Outcome C Crossword





### Across

- 3.** If this purpose of accounting is not completed then can it have serious impacts such as the business paying incorrect taxes to HM Revenue and Customs.
- 5.** This is granted by the government to the inventor and stops others profiting from their invention.
- 10.** These can be purchased through capital expenditure and are not physical.
- 11.** A loan taken out to buy property or land. Most run for 25 years but the term can be shorter or longer.
- 12.** Income that comes from capital invested in the business by investors / owners of the business. It is not money that comes from any form of production or work.

### Down

- 1.** Money made from savings or investments.
- 2.** Funds used to acquire or upgrade physical assets such as property, buildings or equipment and also intangibles.
- 4.** A reduction in the value of an asset over time, due in particular to wear and tear.
- 6.** This purpose of accounting simply means making sure that a company's financial matters are being handled in accordance with laws and regulations.
- 7.** Payments made to the local council for services provided by them. It is based on the size and location of the premises.
- 8.** Gross profit minus expenses
- 9.** The money a business receives either through a lump sum investment or from the sale of its goods or service.

